

Message Text

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ACTION ARA-10

INFO OCT-01 EUR-12 NEA-10 ISO-00 CIAE-00 DODE-00 PM-04
H-01 INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01
SP-02 SS-15 USIA-06 IO-13 AID-05 COME-00 EB-08
FRB-03 TRSE-00 XMB-02 OPIC-03 LAB-04 SIL-01
OMB-01 FEA-01 INT-05 MCT-01 /125 W
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TO SECSTATE WASHDC 7450
INFO AMEMBASSY ABU DHABI
AMEMBASSY BOGOTA
AMEMBASSY DOHA
AMEMBASSY JIDDA
AMEMBASSY TEHRAN
AMEMBASSY TEL AVIV
AMEMBASSY SANTIAGO
AMEMBASSY VIENNA
USIS BAGHDAD
USCINCSO QUARRY HTS CZ
USCINCLANT NORFOLK VA

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E.O. 11652: N/A
TAGS: MORG, OPEC, PFOR, SOCI, ETRD,
ELAB, SHUM, EFIN, PINT, CI, VE
SUBJECT: THIS WEEK IN VENEZUELA

REF: CARACAS 4055 (NOTAL)

SUMMARY: STATEMENTS OF PRESIDENT PEREZ ON ARAB-ISRAELI
DISPUTE CAUSE FLAP IN VENEZUELA. SCANT BUT SO FAR FAVORABLE
REACTION TO PRESIDENT CARTER'S ENERGY PROGRAM. DUTY FREE FOOD
IMPORTS EASE SHORTAGES. BETANCOURT CALLS ON TRADE UNIONISTS TO
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FIGHT DICTATORSHIPS. MILITARY REFORM BILL PRESENTED TO CONGRESS.
VENEZUELAN INVESTMENT FUND TO ACQUIRE EQUITY IN STATE FINAN-
CIAL INSTITUTIONS. CHILEAN SOCIALIST PARTY CELEBRATES
44TH ANNIVERSARY IN CARACAS. REWARD OFFER FOR INFO CON-
CERNING WILLIAM NIEHOUS IS WITHDRAWN.

1. PRESIDENT PEREZ, PALESTINE AND THE PLO. PRIOR TO

HIS DEPARTURE FOR THE MIDDLE EAST ON HIS TWO-WEEK VISIT, PRESIDENT PEREZ HAD PUBLICLY REITERATED VENEZUELA'S NEUTRALITY IN THE ARAB-ISRAELI DISPUTE. HOWEVER, IN JOINT COMMUNIQUE ISSUED IN QATAR, KUWAIT AND SAUDI ARABIA, PEREZ LEANED FURTHER THAN EXPECTED TOWARD THE ARAB CAUSE, PARTICULARLY IN CALLING NOT ONLY FOR ISRAELI WITHDRAWAL FROM OCCUPIED ARAB TERRITORIES, BUT ALSO FOR "RECOGNITION" (QATAR), "RESTORATION" (KUWAIT), AND "REALIZATION" (SAUDI ARABIA) OF THE PALESTINIAN PEOPLE'S RIGHTS. FURTHER, IN; RIYADH, THE JOINT SAUDI-VENEZUELAN COMMUNIQUE NOTED THAT "...THE QUESTION'S COMPREHENSIVE SOLUTION SHOULD BE REALIZED WITH THE PRESENCE OF ALL SIDES CONCERNED." THIS LANGUAGE COULD BE INTERPRETED BY SOME TO MEAN AN INDIRECT RECOGNITION BY VENEZUELA OF THE ROLE OF THE PLO IN ANY EVENTUAL SETTLEMENT. PEREZ' LANGUAGE SET OFF A ROUND OF CHARGES AND DENIALS AT HOME CONCERNING VENEZUELA'S POSITION ON THE PALESTINIAN QUESTION. AD STALWARTS GONZALO BARRIOS AND LUIS ESTEBAN REY DENIED THAT PEREZ HAD INDICATED ANY SHIFT IN VENEZUELA'S NEUTRALITY ON THIS ISSUE. COPEI SPOKESMEN VIRGILIO LOVERA AND ABDON VIVAS TERAN, HOWEVER, LAMBASTED PEREZ RESPECTIVELY FOR "HASTY, BRASH AND IMPRUDENT" STATEMENTS AND FOR INVOLVING VENEZUELA "IN A CONFLICT WHICH DOES NOT CONCERN US." PEREZ, FOR HIS PART, ALSO TOLD THE PRESS IN KUWAIT THERE HAS BEEN NO CHANGE IN VENEZUELAN POLICY ON THIS ISSUE.

COMMENT: PEREZ, UNDOUBTEDLY HAS FELT CONSTRAINED TO GO AS FAR AS POSSIBLE IN ACCEPTING PRO-ARAB LANGUAGE (SEE KUWAIT 2278) SHORT OF OUTRIGHT RECOGNITION OF THE LIMITED OFFICIAL USE

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PLO, BOTH BECAUSE OF VENEZUELA'S INTEREST IN DEFENDING OPEC OIL PRICES, BUT ALSO BECAUSE OF HIS PERSONAL IDENTIFICATION WITH THIRD WORLD CAUSES. WE DO NOT BELIEVE THAT VENEZUELA'S BASIC POSITION WHICH FAVORS A SETTLEMENT ON THE BASIS OF U.N. RESOLUTION 242 HAS UNDERGONE ANY FUNDAMENTAL CHANGE.

2. REACTION TO PRESIDENT'S ENERGY PROGRAM. WITH LOCAL INTEREST CENTERED ON PRESIDENT PEREZ' CONTINUING MIDDLE EASTERN TOUR, THERE HAS BEEN LITTLE COMMENT HERE SO FAR ON PRESIDENT CARTER'S ENERGY PROPOSALS. PEREZ TOLD VENEZUELAN JOURNALISTS ACCOMPANYING HIM THAT HE WAS ENTHUSIASTIC ABOUT THE PRESIDENT'S STATEMENTS, SAYING THAT IN EXPRESSING CONCERN FOR U.S. AND WORLD ENERGY SUPPLIES, PRESIDENT CARTER RECOGNIZED THAT OPEC WAS JUSTIFIED IN INCREASING OIL PRICES. ENERGY MINISTER HERNANDEZ, ALSO IN THE MIDDLE EAST, MADE A SIMILAR COMMENT. OFFICIALS HERE GENERALLY REACTED FAVORABLY, ALTHOUGH ONE COMMENTED TO US THAT THE ACTUAL MEASURES PROPOSED TO CONGRESS SEEMED

MILD WHEN COMPARED TO THE SERIOUSNESS OF THE SITUATION
AS OUTLINED BY THE PRESIDENT IN HIS NATIONWIDE ADDRESS.

3. FOOD IMPORTS HELP EASE SHORTAGES. IMPORTS OF FOOD
IN SHORT SUPPLY BEGAN DURING THE PAST WEEK, INCREASING
SUPPLIES OF BASIC COMMODITIES AVAILABLE TO THE CONSUMER.
MEANWHILE, DEVELOPMENT MINISTER LUIS ALVAREZ DOMINGUEZ
ADMITTED PUBLICLY THAT RIGID PRICE CONTROLS MAY HAVE
ACTED AS A DISINCENTIVE TO PRODUCTION IN THE AGRICULTURAL
SECTOR, BUT HE SAID ANY CHANGE IN POLICY WOULD HAVE TO
PROTECT THE CONSUMER FROM RAPID PRICE INCREASES, AS
WELL AS PROVIDE A BETTER RETURN TO THE PRODUCER. PRO-
DUCER ORGANIZATIONS AND THE OPPOSITION COPEI PARTY HAVE
TAKEN ADVANTAGE OF THE SUDDEN DEVELOPMENT OF FOOD
SHORTAGES TO CRITICIZE GOVERNMENT ECONOMIC POLICIES.
THEY CHARGE THAT THE GOVERNMENT, IN ITS EFFORTS TO COMBAT
INFLATION, HAS SET PRICES FOR ESSENTIAL GOODS TOO LOW,
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THUS DISCOURAGING A COMPETITIVE RETURN TO THE INVESTOR.
FURTHER THESE CRITICS CLAIM THAT THE SUDDEN DECISION
TO ALLOW IMPORTS OF FOOD ITEMS IN SHORT SUPPLY
EXACERBATES THE PROBLEM BY CONVINCING FOOD PRODUCERS
THAT THE GOVERNMENT PREFERS TO RESORT TO IMPORTS RATHER
THAN PERMIT REALISTIC PRICE CHANGES. THE PROBLEM THUS
HAS ALREADY BECOME A FACTOR IN PRE-CAMPAIGN POLITICKING,
AND UNLESS THE GOVERNMENT ACTS QUICKLY TO DEFUSE THE
SITUATION, IT COULD BECOME A MAJOR ISSUE IN THE FORTH-
COMING PRESIDENTIAL CAMPAIGN. THE CONFEDERATION OF
VENEZUELAN WORKERS (CTV) IN ITS ANNUAL MAY 1 (LABOR
DAY) DECLARATION CALLED ON THE GOV TO NATIONALIZE THE
FOOD DISTRIBUTION SYSTEM, BLAMING HIGH PRICES AND
SHORTAGES ON "RINGS OF SPECULATORS." IN EARLIER STATE-
MENTS, CTV PRESIDENT VARGAS HAS ALSO CRITICIZED DUTY
FREE IMPORTS OF FOOD, STATING THAT SUCH IMPORTS WERE
PREJUDICIAL TO VENEZUELAN WORKERS EMPLOYED IN AGRI-
CULTURE AND THE FOOD PROCESSING INDUSTRY.

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FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 7451

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AMEMBASSY VIENNA

USIS BAGHDAD

USCINCSO QUARRY HTS CZ

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4. BETANCOURT CALLS ON TRADE UNIONISTS TO FIGHT
DICTATORSHIPS. IN AN IMPROMPTU SPEECH AT A
MEETING OF THE FEDERACION UNIFICADA DE TRABAJADORES
(THE CARACAS REGIONAL AFFILIATE OF THE CTV), EX-PRESIDENT
ROMULO BETANCOURT CALLED ON VENEZUELA'S WORKERS TO PLAY
A MORE ACTIVE ROLE IN OPPOSING THE DICTATORSHIPS OF THE
HEMISPHERE AND IN MAINTAINING SOLIDARITY WITH THE WORKING
CLASSES WHICH SUFFER UNDER DICTATORIAL RULE. BETANCOURT
DREW A SHARP DISTINCTION BETWEEN GOVERNMENT TO GOVERNMENT
RELATIONS AND THOSE OF THE WORKING CLASSES, INSISTING
THAT TRADE UNIONISTS MUST MAINTAIN SOLIDARITY WITH THEIR
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PERSECUTED BRETHREN WITHOUT REGARD TO THE GOV'S OFFICIAL
RELATIONS WITH THE COUNTRY IN QUESTION.

COMMENT: BETANCOURT'S STRONG STAND IS A FURTHER
INDICATION OF A NEW CTV MILITANCY IN SUPPORT OF FREE
AND DEMOCRATIC TRADE UNIONISM IN THE REST OF THE
HEMISPHERE. END COMMENT.

5. DEFENSE MINISTER PRESENTS TO CONGRESS A BILL TO
REFORM MILITARY RETIREMENT AND PROMOTION SYSTEM.
ON APRIL 25, DEFENSE MINISTER GENERAL FRANCISCO ELOY
ALVAREZ TORRES, ACCOMPANIED BY THE SERVICE CHIEFS,
SUBMITTED THE ADMINISTRATION'S DRAFT BILL TO REFORM

THE ORGANIC LAW OF THE ARMED FORCES. THE MOST IMPORTANT FEATURES OF THE BILL WOULD PROVIDE, INTER ALIA, FOR

1) CHANGE IN THE MANDATORY RETIREMENT LIMIT FROM 30 TO 35 YEARSV 2) MAXIMUM TIMES IN GRADE FOR OFFICERS (SELECTION OUT); 3) GREATER FLEXIBILITY IN PROMOTIONS AND IN OFFICER GRADE STRUCTURE.

COMMENT: THIS BILL REPRESENTS THE PEREZ ADMINISTRATION'S EFFORTS TO RESHAPE A LOPSIDED MILITARY GRADE STRUCTURE, AS WELL AS MEET PROBLEMS POSED BYMANDATORY RETIREMENT WITH THIRTY YEARS' SERVICE WHICH HAS FORCED MANY CAPABLE OFFICERS IN THEIR LATE FORTIES OR EARLY FIFTIES TO LEAVE WHEN THEY ARE OF MAXIMUM VALUE TO THE MILITARY. THE BILL'S PROVISIONS HAVE BEEN APPROVED BY THE MILITARY HIGH COMMAND. WE UNDERSTAND THAT TO AVOID INEQUITIES AND POTENTIAL OPPOSITION, THE PROVISIONS REGARDING RETIREMENT AND SELECTION OUT WILL BE PHASED IN GRADUALLY OVER A PERIOD OF YEARS. THE PROBABLE EFFECT OF THE PHASE-IN WILL BE TO FORCE OFFICERS NOW ABOVE THE RANK OF LT. COLONEL TO RETIRE AFTER 30 YEARS SERVICE. THUS, CERTAIN SENIOR OFFICERS WITH STRONG POLITICAL PARTY TIES WOULD BE FORCED OUT UNDER THE BILL AS PRESENTLY CONSTITUTED.

6. VENEZUELAN INVESTMENT FUND TO ACQUIRE EQUITY IN STATE FINANCIAL INSTITUTIONS. THE COUNCIL OF MINISTERS LIMITED OFFICIAL USE

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HAS INSTRUCTED THE VENEZUELAN INVESTMENT FUND (FIV) TO ACQUIRE SHARES IN VARIOUS STATE FINANCIAL INSTITUTIONS, AND TO ESTABLISH A SPECIAL COMMISSION TO COORDINATE THE FINANCING ACTIVITIES OF THE VARIOUS INSTITUTIONS. THE COMMISSION, TO BE ESTABLISHED IMMEDIATELY, WILL CONSIST OF THE FINANCE MINISTER, THE CHIEF OF CORDIPLAN (GOVE PLANNING AGENCY) AND THE PRESIDENT OF FIV. INSTI-TUTIONS TO BE AFFECTED INCLUDE THE VENEZUELAN DEVELOPMENT CORPORATION, THE INDUSTRIAL DEVELOPMENT FUND, THE AGRI-CULTURAL DEVELOPMENT FUND, BANCO INDUSTRIAL, REGIONAL DEVELOPMENT BANKS, AND OTHERS. THE MOVE IS CONSIDERED ONE MORE STEP IN THE GOV'S EFFORTS TO BRING UNDER CONTROL THE NOTORIOUSLY UNCOORDINATED ACTIVITIES OF THESE INSTI-TUTIONS. IT ALSO IS CONSISTENT WITH A DEVELOPING TREND TO BRING ORGANIZATIONS ENGATED IN FINANCE AND INVESTMENT UNDER THE AUTHORITY OF THE FINANCE MINISTER.

7. CHILEAN SOCIALIST PARTY CELEBRATES 44TH ANNIVERSARY. THE CHILEAN SOCIALIST PARTY APRIL 26 CELEBRATED ITS 44TH ANNIVERSARY AT A "POLITICAL-CULTURAL" MEETING HELD IN THE CONCERT HALL OF THE CENTRAL UNIVERSITY OF CARACAS (UCV). THE MEETING WAS ATTENDED BY CHILEAN EXILES, UCV STUDENTS AND VENEZUELAN WORKERS. COMMENT: GI EN THE GOV'S RECEPTIVE POLICY TOWARD

CHILEAN EXILES, SUCH MEETINGS HAVE BECOME RELATIVELY COMMONPLACE. PRESS PLAY ON THE MEETING WAS MINIMAL.

8. MRS. NIEHOUS WITHDRAWS BS. 2 MILLION REWARD FOR INFORMATION CONCERNING HER HUSBAND'S WHEREABOUTS. IN A LETTER DATED APRIL 20 SENT TO "EL NACIONAL" AND PUBLISHED IN THAT NEWSPAPER APRIL 29, MRS. DONNA NIEHOUS INFORMED THE VENEZUELAN PUBLIC THAT SHE HAS DECIDED TO CANCEL THE BS. 2 MILLION REWARD WHICH SHE OFFERED IN AUGUST LAST YEAR FOR INFORMATION LEADING TO THE WHEREABOUTS OF HER HUSBAND. IN HER LETTER, SHE NOTED THAT EIGHT MONTHS HAVE PASSED AND THAT THE OFFER LIMITED OFFICIAL USE

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HAD BROUGHT NO LEADS. HOWEVER, SHE EXPRESSED HER BELIEF THAT HER HUSBAND IS STILL ALIVE. COMMENT: THE WITHDRAWAL OF THE OFFER DRAWS PUBLIC ATTENTION TO THE FACT THAT THE CASE REMAINS UNRESOLVED.

9. OTHER REPORTING THIS WEEK INCLUDED THE OPANAL MEETING (CARACAS 4057), PRESENTATION OF VENEZUELAN VIEWS ON CIEC (CARACAS 4152), LEGAL ASSISTANCE AGREEMENT ON BOEING (CARACAS 4170 AND 4181), VENEZUELA'S CHARTERING OF SOVIET TANKERS (CARACAS 4203) AND ILLICIT PAYMENTS (CARACAS 4123). ASECIO

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